

Lincolnton Networks, Inc.
Provider of Last Resort Retail Service
Schedule of Rates, Terms and Conditions

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- E. Lifeline – Company complies with all provisions set forth in Part 54 of the Rules of the Federal Communications Commission and shall offer all applicable State and Federal discounts to customers who have been properly certified as qualifying for Lifeline service pursuant to Part 54 of the Rules of the Federal Communications Commission.

5.4 Calling Area Rates and List of Exchanges – Residential Premium Service

- A. List of Exchanges Where Flat-Rated Calling Applies

<u>Home Exchange</u>	<u>Unlimited Flat-Rated Calling to the Following Exchanges</u>
Lincolnton	Belfast Camden Lincolnton Lincolnton Beach Morrill Union
Lincolnton Beach	Belfast Camden Lincolnton Lincolnton Beach Morrill Union

- B. Monthly Rates for Unlimited Flat-Rated Calling – Residential Premium Service

<u>Home Exchange</u>	<u>Rate</u>
Lincolnton	\$18.29
Lincolnton Beach	\$18.29

Issued Date: July 31, 2012

Proposed Effective Date: August 30, 2012

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Shirley P Manning

President

Business Economy Service

6.1 Eligibility

- A. Residential service rates shall apply if the service is primarily for domestic purposes and the telephone number associated with the service is not included in any form of advertising for any business purpose. Customers to whom residential rates apply are not eligible to take Business Economy Service.
- B. Business rates shall apply for any service that does not qualify for residential service rates as set forth in Section 6.1.A.

6.2 Definitions

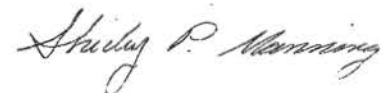
- A. Basic Service Calling Area – (BSCA) is the local (non-interexchange) calling area of the “home exchange” of a customer of Lincolnvile Networks, Inc. The BSCA includes all exchanges that were in the BSCA prior to the amendments effective in December 2002 plus all exchanges that are contiguous to the home exchange that were not included prior to the December 2002 amendments. Within a BSCA, there may be Economy and Premium calling options with flat-rate and per-minute pricing as specified in the definitions of those options. For all options, the BSCA includes all of the exchanges that are included in the calling option with the largest flat-rate calling area.
- B. Home Exchange – is the Exchange of the Company where the Customer receives dial tone.
- C. Economy Calling Area is the Customer’s basic-service calling area that has a flat monthly rate for unlimited calling within the Customer’ Home Exchange and the list of Exchanges identified in connection with the particular Home Exchange in Section 6.4.A and a per-minute rate for calling to the list of Exchanges identified in connection with the Home exchange in Section 6.4.C of this Tariff.
- D. Provider of last resort service – is a flat- rate service with voice grade access to the public switched telephone network; local usage within the basic service calling areas of incumbent local exchange carriers as of

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Shirley P Manning

President

January 1, 2012; dual-tone multifrequency signaling or its functional equivalent; single-party service or its functional equivalent; access to emergency services; access to operator services; access to interexchange service; access to directory assistance; toll limitation for qualifying low-income customers; and the capacity to maintain uninterrupted voice service during a power failure, either through the incorporation into the network or network interface devices of suitable battery backup or through electric current. For purposes of this Schedule, all terms included within the definition of provider of last resort service have the same meanings as set forth in 35-A MRSA § 7201.

- E. Business Economy Service – is provider of last resort service offered to business customers on a retail basis with the Economy Service Area as the Customer's Basic Service Calling Area.

6.3 Regulations Concerning Business Economy Service.


- A. Calls Outside the Economy Calling Area – Business Economy Service customers may make local calls from their Home Exchange to the additional Exchanges included in Section 6.4.C at a per-minute rate. The per-minute rate for such calls is set forth in Section 6.4.D of this Tariff. Calls made from the Home Exchange to locations within the State of Maine, other than those listed in Sections 6.4 are billed to the Customer at the applicable intrastate toll rates of the carrier used to provide Customer's intrastate toll service.
- B. Municipal Calling Service – Customer shall receive toll free calling to any other customer of a Provider of Last Resort within the municipality in which the Customer resides where practicable so long as the Customer is utilizing an intralata toll provider for whom Company provides billing to the Customer. In the event the Customer is charged by an intralata toll provider for whom Company provides billing to the Customer for a call to a Provider of Last Resort customer within the municipality in which the Customer resides, Company shall remove any charges associated with any such municipal calling from the Customer's bill when notified by the Customer.
- C. Changes in Calling Areas – The Customer's initial selection of either the Economy Calling Area Service offering or the Premium Calling Area Service offering is without charge. Subsequent changes by the Customer

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are subject to the applicable Service Order Charge as identified in this Tariff. If only one Calling Area Service offering is available for an Exchange, the Customer will automatically be classified under the available service offering and no charge will apply.

- D. Rates – The applicable rates for the Company's Business Economy Service are listed in Sections 6.4.B and 6.4.D of this Tariff.

6.4 Calling Area Rates and List of Exchanges – Business Economy Service

- A. List of Exchanges Where Flat-Rated Calling Applies

Home Exchange	Unlimited Flat-Rated Calling to the Following Exchanges
Lincolnton	Camden Lincolnton Lincolnton Beach
Lincolnton Beach	Camden Lincolnton Lincolnton Beach

- B. Monthly Rates for Unlimited Flat-Rated Calling – Business Economy Service

Home Exchange	Rate
Lincolnton	\$32.74
Lincolnton Beach	\$32.74

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- C. List of Exchanges Where Per-Minute Charges Apply – Business Economy Service

<u>Home Exchange</u>	<u>Per-Minute Rated Calling to the Following Exchanges</u>
Lincolnvile	Belfast Morrill Union
Lincolnvile Beach	Belfast Morrill Union

- D. The per-minute rate for calls made from Customer's Home Exchange to the applicable Exchanges listed in Section 6.4.C above is \$0.05 per minute.

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Shirley P Manning

President

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Business Premium Service

7.1 Eligibility

- A. Residential service rates shall apply if the service is primarily for domestic purposes and the telephone number associated with the service is not included in any form of advertising for any business purpose. Customers to whom residential rates apply are not eligible to take Business Premium Service.
- B. Business rates shall apply for any service that does not qualify for residential service rates as set forth in Section 7.1.A.

7.2 Definitions

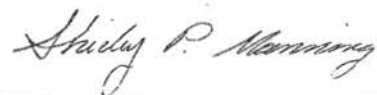
- A. Basic Service Calling Area – (BSCA) is the local (non-interexchange) calling area of the “home exchange” of a customer of Lincolnvile Networks, Inc. The BSCA includes all exchanges that were in the BSCA prior to the amendments effective in December 2002 plus all exchanges that are contiguous to the home exchange that were not included prior to the December 2002 amendments. Within a BSCA, there may be Economy and Premium calling options with flat-rate and per-minute pricing as specified in the definitions of those options. For all options, the BSCA includes all of the exchanges that are included in the calling option with the largest flat-rate calling area.
- B. Home Exchange – is the Exchange of the Company where the Customer receives dial tone.
- C. Premium Calling Area is the Customer’s basic-service calling area that has a flat monthly rate for unlimited calling within the Customer’ Home Exchange and the list of Exchanges identified in connection with the particular Home Exchange in Section 7.4.A of this Tariff.
- D. Provider of last resort service – is a flat- rate service with voice grade access to the public switched telephone network; local usage within the basic service calling areas of incumbent local exchange carriers as of January 1, 2012; dual-tone multifrequency signaling or its functional equivalent; single-party service or its functional equivalent; access to

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Shirley P Manning

President

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emergency services; access to operator services; access to interexchange service; access to directory assistance; toll limitation for qualifying low-income customers; and the capacity to maintain uninterrupted voice service during a power failure, either through the incorporation into the network or network interface devices of suitable battery backup or through electric current. For purposes of this Schedule, all terms included within the definition of provider of last resort service have the same meanings as set forth in 35-A MRSA § 7201.

- E. Business Premium Service – is provider of last resort service offered to business customers on a retail basis with the Premium Service Area as the Customer's Basic Service Calling Area.

7.3 Regulations Concerning Business Premium Service.

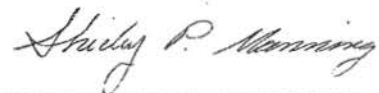
- A. Calls Outside the Premium Calling Area – Calls made from the Home Exchange to locations within the State of Maine, other than those listed in Section 7.3 are billed to the Customer at the applicable intrastate toll rates of the carrier used to provide Customer's intrastate toll service.
- B. Municipal Calling Service – Customer shall receive toll free calling to any other customer of a Provider of Last Resort within the municipality in which the Customer resides where practicable so long as the Customer is utilizing an intralata toll provider for whom Company provides billing to the Customer. In the event the Customer is charged by an intralata toll provider for whom Company provides billing to the Customer for a call to a Provider of Last Resort customer within the municipality in which the Customer resides, Company shall remove any charges associated with any such municipal calling from the Customer's bill when notified by the Customer.
- C. Changes in Calling Areas – The Customer's initial selection of either the Economy Calling Area Service offering or the Premium Calling Area Service offering is without charge. Subsequent changes by the Customer are subject to the applicable Service Order Charge as identified in this Tariff. If only one Calling Area Service offering is available for an Exchange, the Customer will automatically be classified under the available service offering and no charge will apply.

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Provider of Last Resort Retail Service
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- D. Rates – The applicable rates for the Company's Business Premium Service are listed in Section 7.4.B of this Tariff.

7.4 Calling Area Rates and List of Exchanges – Business Premium Service

- A. List of Exchanges Where Flat-Rated Calling Applies – Business Premium Service

<u>Home Exchange</u>	<u>Unlimited Flat-Rated Calling to the Following Exchanges</u>
Lincolnton	Belfast Camden Lincolnton Lincolnton Beach Morrill Union
Lincolnton Beach	Belfast Camden Lincolnton Lincolnton Beach Morrill Union

- B. Monthly Rates for Unlimited Flat-Rated Calling – Business Premium Service

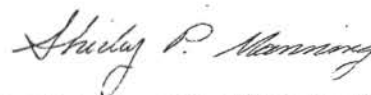
<u>Home Exchange</u>	<u>Rate</u>
Lincolnton	\$35.05
Lincolnton Beach	\$35.05

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Shirley P Manning

President



Coastal
Telco
Services



The Lincolnville Telephone Family of Companies

133 Back Meadow Rd., Nobleboro, ME 04555

207-563-9929, 207-785-9911, 207-763-9911



Residential DSL Internet

Five DSL Speeds

Available in Two Bundle Packages or without a Bundle

Packages	No Bundle	State of Maine	Continental	Download	Upload
Standard	\$37.95	\$69.95	\$79.95	768 Kbps	768 Kbps
Deluxe	\$42.95	\$74.95	\$84.95	3 Mbps	1 Mbps
Super	\$47.95	\$79.95	\$89.95	6 Mbps	1 Mbps
Power	\$57.95	\$89.95	\$99.95	10 Mbps	1 Mbps
Power Plus	\$57.95	\$89.95	\$99.95	10 Mbps	2 Mbps

State of Maine Bundle:

- Local Phone Service
- 1000 Minutes Long Distance within Maine
- Caller ID, Call Waiting & Call Forwarding
- Broadband High-Speed Internet

Continental Bundle:

- Local Phone Service
- 1000 Minutes Long Distance within the Continental US
- Caller ID, Call Waiting & Call Forwarding
- Broadband High-Speed Internet

The minimum requirements for using Broadband are:

IBM PC Compatible:

Windows XP, Vista, Win 7 & Win 8

Ethernet Network Interface

Macintosh:

Mac OS X

Ethernet Network Interface

Call 563-9911, 785-9911, 763-9911 today for more information **and start saving!**

** All services may not be available in all areas.

* Plus taxes, surcharges and fees for any additional services

* Price Subject to change

* Phone Service is required



Coastal
Telco
Services



OPEN

OPTICAL PREMISE ETHERNET NETWORK



Residential Broadband Internet

Six Synchronous Broadband Speeds

Available in Two Bundle Packages or without a Bundle

Packages	No Bundle	State of Maine	Continental	Download	Upload
OPEN 50	\$189.95	\$219.95	\$229.95	50 Mbps	50 Mbps
OPEN 30	\$149.95	\$179.95	\$159.95	30 Mbps	30 Mbps
OPEN 20	\$99.95	\$129.95	\$139.95	20 Mbps	20 Mbps
OPEN 15	\$79.95	\$109.95	\$119.95	15 Mbps	15 Mbps
OPEN 10	\$57.95	\$89.95	\$99.95	10 Mbps	10 Mbps
OPEN 6	\$47.95	\$79.95	\$89.95	6 Mbps	6 Mbps

****Higher speeds available upon request****

State of Maine Bundle:

- Local Phone Service
- 1000 Minutes Long Distance within Maine
- Caller ID, Call Waiting & Call Forwarding
- Broadband High-Speed Internet

Continental Bundle:

- Local Phone Service
- 1000 Minutes Long Distance within the Continental US
- Caller ID, Call Waiting & Call Forwarding
- Broadband High-Speed Internet

The minimum requirements for using Broadband are:

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Call 563-9929, 785-9929, 763-9929 today for more information **and start saving!**

** All services may not be available in all areas.

* Plus taxes, surcharges and fees for any additional services

*Phone Service Required * * Price Subject to change

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Lincolnville Telephone Company
Family of Companies
Serving Maine's
Telecommunications needs since 1904



133 Back Meadow Rd
Nobleboro, ME 04555-9202
207-563-9911

April 13, 2015

Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Lincolnville Networks Inc. certifies that it is taking reasonable steps to provide upon reasonable request broadband services at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas as determined in an annual survey, and that requests for such service are met within a reasonable amount of time.

Shirley P Manning
President
Lincolnville Networks, Inc.

Community Anchor Institutions to which Lincolnville Networks, Inc. was providing broadband service in 2014, all of which were provided broadband service prior to January 1, 2014, are listed below. Broadband service was not provided to any additional Community Anchor Institutions in 2014.

1

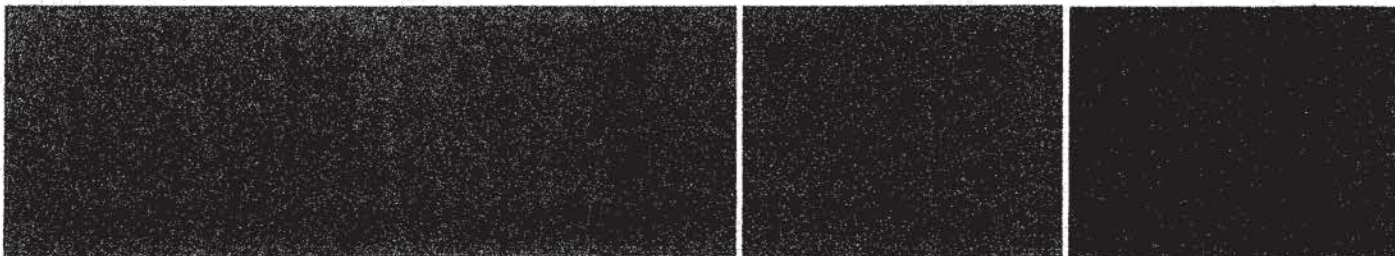
Hope Library
443 Camden Road
Hope, ME

2

Lincolnville Central School
523 Hope Road
Lincolnville, ME

3

Lincolnville Community Library
208 Main Street
Lincolnville, ME



LINCOLNVILLE NETWORKS, INC.

FINANCIAL STATEMENTS

December 31, 2014 and 2013

With Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lincolnton Networks, Inc.

We have audited the accompanying financial statements of Lincolnton Networks, Inc. (a wholly-owned subsidiary of Lincolnton Telephone Company), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincolnton Networks, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
March 10, 2015

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LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Balance Sheets

December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 149,500	\$ 169,242
Accounts receivable, net of allowance for doubtful accounts of \$1,500 in 2014 and 2013	589,486	317,828
Materials and supplies	2,670	2,673
Prepaid expenses and other current assets	<u>1,375</u>	<u>1,322</u>
Total current assets	<u>743,031</u>	<u>491,065</u>
Property, plant and equipment, at cost		
Land and buildings	1,013,921	1,015,536
Central office equipment	2,780,484	2,729,696
Information origination/termination equipment	13,342	13,342
Cable and wire facilities	5,019,133	4,775,196
Other equipment	269,581	265,253
Telecommunications plant under construction	<u>11,036</u>	<u>86,482</u>
	9,107,497	8,885,505
Less accumulated depreciation	<u>5,899,261</u>	<u>5,532,615</u>
Net property, plant and equipment	<u>3,208,236</u>	<u>3,352,890</u>
Noncurrent assets		
Intangible, net	<u>1,053,712</u>	<u>1,098,314</u>
Total noncurrent assets	<u>1,053,712</u>	<u>1,098,314</u>
	<u>\$ 5,004,979</u>	<u>\$ 4,942,269</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>2014</u>	<u>2013</u>
Current liabilities		
Accounts payable	\$ 11,302	\$ 70,359
Accrued expenses and other current liabilities	20,517	103,007
Due to related parties	<u>962,476</u>	<u>332,990</u>
Total current liabilities	994,295	506,356
Deferred income taxes	<u>1,354,000</u>	<u>1,354,000</u>
Total liabilities	<u>2,348,295</u>	<u>1,860,356</u>
Stockholder's equity		
Common stock, no par value; 2,000 shares authorized; 100 shares issued and outstanding	-	-
Paid-in capital	4,119,509	4,119,509
Accumulated deficit	<u>(1,462,825)</u>	<u>(1,037,596)</u>
Total stockholder's equity	<u>2,656,684</u>	<u>3,081,913</u>
	<u>\$ 5,004,979</u>	<u>\$ 4,942,269</u>

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LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Statements of Income and Accumulated Deficit

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues		
Basic local network services	\$ 469,180	\$ 472,014
Network access services	904,439	906,313
Miscellaneous	30,326	28,583
Uncollectible revenues, net of recoveries	<u>(2,495)</u>	<u>(1,712)</u>
Total operating revenues	<u>1,401,450</u>	<u>1,405,198</u>
Operating expenses		
Plant specific operations	213,964	179,239
Plant nonspecific operations	195,767	170,212
Depreciation and amortization	426,592	430,027
Customer operations	171,628	184,165
Corporate operations	<u>295,055</u>	<u>302,482</u>
Total operating expenses	<u>1,303,006</u>	<u>1,266,125</u>
Operating taxes		
Federal and state income taxes	9,100	22,800
Other operating taxes	<u>74,440</u>	<u>81,480</u>
Total operating taxes	<u>83,540</u>	<u>104,280</u>
Net income	14,904	34,793
Accumulated deficit, beginning of year	(1,037,596)	(1,016,116)
Less dividends	<u>440,133</u>	<u>56,273</u>
Accumulated deficit, end of year	<u>\$ (1,462,825)</u>	<u>\$ (1,037,596)</u>

The accompanying notes are an integral part of these financial statements.

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LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Net income	\$ 14,904	\$ 34,793
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	426,592	430,027
Deferred income taxes	-	(125,000)
Decrease (increase) in		
Accounts receivable	(271,658)	(122,938)
Materials and supplies	3	-
Prepaid expenses and other current assets	(53)	(58)
Increase (decrease) in		
Accounts payable	(59,057)	54,920
Accrued expenses and other current liabilities	(82,490)	81,466
Due to affiliates	<u>629,486</u>	<u>(136,146)</u>
Net cash provided by operating activities	<u>657,727</u>	<u>217,064</u>
Cash flows from investing activities		
Extension and replacement of telecommunications plant, net	<u>(237,336)</u>	<u>(108,981)</u>
Net cash used by investing activities	<u>(237,336)</u>	<u>(108,981)</u>
Cash flows from financing activities		
Payment of dividends	<u>(440,133)</u>	<u>(56,273)</u>
Net cash used by financing activities	<u>(440,133)</u>	<u>(56,273)</u>
Net (decrease) increase in cash and cash equivalents	(19,742)	51,810
Cash and cash equivalents, beginning of year	<u>169,242</u>	<u>117,432</u>
Cash and cash equivalents, end of year	<u>\$ 149,500</u>	<u>\$ 169,242</u>

The accompanying notes are an integral part of these financial statements.

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LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Notes to Financial Statements

December 31, 2014 and 2013

Nature of Operations

Lincolnville Networks, Inc. (the Company), a wholly-owned subsidiary of Lincolnville Telephone Company (its Parent), derives its operating revenues primarily from providing telecommunications and broadband services in Maine. The Company extends credit at standard terms, after appropriate review, to its subscribers and domestic interexchange carriers. Telecommunications services are subject to varying degrees of regulation by the Federal Communications Commission (FCC) and the Maine Public Utilities Commission (MPUC).

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulatory Accounting

The Company is subject to regulation of rates and other matters by the FCC and the MPUC. The Company follows the accounting prescribed by the Uniform System of Accounts of the FCC and the MPUC and Financial Accounting Standards Board Accounting Standards Codification (ASC) 980, *Regulated Operations*. This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment, as such amounts are recovered through rates authorized by regulatory authorities. The Company annually reviews the continued applicability of ASC 980 based on the current regulatory and competitive environment.

Cash and Cash Equivalents

All liquid investments with an original maturity of three months or less are considered to be cash equivalents. The Company maintains its cash in bank accounts which may exceed federally insured limits; however, the Company's policy is to invest cash in excess of those limits in government-backed securities or accounts collateralized by bank-owned U.S. government securities or surety bonds. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant risk with respect to these accounts.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

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LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Notes to Financial Statements

December 31, 2014 and 2013

Materials and Supplies

Materials and supplies are valued at the lower of first-in, first-out (FIFO) cost or market.

Depreciation

Depreciation is computed on average plant investment by primary plant accounts using the straight-line method over the estimated useful lives of the assets. The Company assesses the estimated remaining useful lives of assets on an annual basis.

Capitalization Policy

Additions to plant and replacements of retirement units of property are capitalized at original cost, which includes labor, material and overhead, and direct charges such as equipment costs. Plant additions were reduced by grant proceeds of approximately \$331,000 in 2014. There were no grant proceeds received in 2013.

Intangible Asset Subject to Amortization

The intangible asset subject to amortization consists of a franchise license which is being amortized by the straight-line method over the asset's estimated useful life of thirty years.

Sales Taxes

The Company reports sales taxes on a net basis; accordingly, they are recorded as a liability when collected from customers and excluded from revenues and expenses.

Income Taxes

Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The Company files a consolidated tax return with its Parent. Income taxes are allocated to the Company based on the statutory rates of the consolidated group applied to its separate income before income taxes.

As of December 31, 2014, tax years after 2010 remain subject to examination by federal and state authorities.

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LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Notes to Financial Statements

December 31, 2014 and 2013

Revenue Recognition

Operating revenues are recognized when services are provided to customers.

Certain interstate and intrastate terminating network access revenues for the Company are set at predetermined levels subject to the provisions of the FCC Order on Intercarrier Compensation and Universal Service Fund. The effect reduces these network access revenues over a ten-year period. The remaining interstate revenues are based on estimates of the Company's telephone plant investment, operating expenses, and allowable rates of return on investments allocable to those services. Nationwide pooling of the revenues is administered by National Exchange Carrier Association (NECA), of which the Company is a member. NECA files interstate access charge tariff schedules with the FCC and accumulates and distributes pooled revenues, derived from interstate access services, to its members. The Company records the effect of NECA settlements, including retroactive adjustments, if applicable, upon notification of such settlements from NECA.

Intrastate originating network access service revenues result from charges to interexchange carriers based on applying intrastate access tariffed rates to intrastate access usage.

Subsequent Events

For purposes of preparation of these financial statements in conformity with U.S. generally accepted accounting principles, the Company has considered transactions or events occurring through March 10, 2015, which was the date the financial statements were available to be issued.

2. Telecommunications Plant Adjustment

A telecommunications plant adjustment of \$2,222,957, net of accumulated amortization of \$750,540 and \$632,809 at December 31, 2014 and 2013, respectively, which is included in property, plant and equipment in the balance sheets, is a regulatory adjustment representing the difference between the fair value of the property, plant and equipment acquired and the original cost of the plant, less the associated depreciation. The Company is amortizing the adjustment over a period of seven to thirty years which approximates the estimated remaining useful lives of the underlying assets. Amortization expense included in depreciation and amortization expense in the statements of income was \$117,731 in 2014 and 2013. This amortization is not recoverable through rates, as mandated by a stipulated agreement with the MPUC.

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LINCOLNVILLE NETWORKS, INC.
(A Wholly-Owned Subsidiary of Lincolnville Telephone Company)

Notes to Financial Statements

December 31, 2014 and 2013

3. Intangible Asset Subject to Amortization

The intangible asset consists of a franchise license of \$1,338,048, net of accumulated amortization of \$284,336 and \$239,734 at December 31, 2014 and 2013, respectively. Amortization expense approximated \$44,600 in 2014 and 2013. Estimated amortization expense through 2019 is as follows:

2015	\$ 44,600
2016	44,600
2017	44,600
2018	44,600
2019	44,600

4. Income Taxes

The actual tax expense differs from that computed at a federal rate of 34% primarily because of state income taxes.

The components of income tax expense (benefit) at December 31 are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
<u>2014</u>			
Federal income tax	\$ 7,600	\$ -	\$ 7,600
State income tax	<u>1,500</u>	<u>-</u>	<u>1,500</u>
	<u>\$ 9,100</u>	<u>\$ -</u>	<u>\$ 9,100</u>
<u>2013</u>			
Federal income tax	\$ 118,000	\$ (100,000)	\$ 18,000
State income tax	<u>29,800</u>	<u>(25,000)</u>	<u>4,800</u>
	<u>\$ 147,800</u>	<u>\$ (125,000)</u>	<u>\$ 22,800</u>

Amounts payable to the parent for current income taxes are included in due to related parties at December 31, 2014 and 2013.

The deferred tax liability consists primarily of temporary differences related to depreciation and amortization.

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Notes to Financial Statements

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5. Related Parties

The Company provides to and receives from related parties through common ownership various network, management, and operation services under an intercompany management services agreement, which has been approved by the MPUC. Charges between these related parties in 2014 and 2013 approximated:

	<u>2014</u>	<u>2013</u>
Provided to:		
Coastal Telco Services, Inc.	\$ 144,000	\$ 155,000
Lincolnville Communications, Inc.	58,000	63,000
Received from:		
Coastal Telco Services, Inc.	\$ 655,000	\$ 628,000

The Company, its Parent and its subsidiaries' assets are collateral in a loan agreement entered into by its Parent. The loan is due in quarterly installments through June 30, 2018, when the balance is due in full. The Parent's outstanding balance on the loan was \$15,169,822 and \$17,169,822 at December 31, 2014 and 2013, respectively. The Company does not presently expect to be required to perform on its obligations under the loan agreement.

The Company and its affiliate through common ownership, Tidewater Telecom, Inc., participate in a combined study area for the nationwide pooling of certain revenues. All settlements are received or paid by the Company and amounts allocated to Tidewater Telecom, Inc. are recorded in the due to related parties.

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There was no Management Letter issued in connection with the audit of the December 31, 2014 financial statements of Lincolnville Networks, Inc.